IN THE

Supreme Court of the United States

OCTOBER TERM, 1951

NO. .....

H. J. HEINZ COMPANY, a Corporation,
Petitioner,

v.

CHARLES H. OWENS, Respondent.

PETITION FOR WRIT OF CERTIORARI

To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

Your Petitioner, H. J. Heinz Company, respectfully prays for a Writ of Certiorari to the Circuit Court of Appeals for the Ninth Circuit to review a final judgment of dismissal entered on May 9, 1951 and Petition for Rehearing denied August 14, 1951 with slight modification of the original opinion (R. p. 147).

Summary and Short Statement of Matter Involved.

This case presents four questions of importance to the public generally that commend it to consideration and review by this Court.

The first involves the jurisdiction of a State Court to enjoin infringement of United States Letters Patent, a question never directly decided by this Court, and respecting which there is diversity of opinion in the State Courts.

The second involves Petitioner's right to maintain a Declaratory Judgment suit in the Federal Court to determine the scope and validity of Respondent's patent while the State Court is proceeding against Respondent for contempt of its injunction restraining infringement, but without passing on validity. The precise question has not been decided by this Court and applicable decisions in the Courts of the several Circuits appear to conflict.

The third involves the power of a Federal Court to act in protection of its exclusive jurisdiction under the patent laws.

The fourth involves the right of a State Court to restrain trade under a patent in contravention of the Patent Laws.

The basic fact situation giving rise to these questions is quite simple. In 1939 Petitioner, H. J. Heinz Company, contracted to purchase a vinegar generator from Respondent Owens to be installed at its Berkeley, California plant. Owens represented that the generator was covered by a patent and a patent application which has since become a patent and the two are here referred

to as the "patents". In 1941 Heinz procured from Owens a non-exclusive license under the patents. Heinz never built any generators under the license, but in 1943 Owens, by Bill in Equity in the Superior Court in Alameda County, California, (R. p. 42.) alleging want of consideration and fraud secured a decree annulling the license contract and holding it void, *ab initio*. An injunction was issued wherein Heinz was "perpetually restrained and enjoined and forever debarred from asserting any rights or claims based or founded upon or arising out of said original document of November 25, 1941 or any copy thereof, and from asserting or claiming the right or license to build or have built for itself or to maintain or operate vinegar generators of the type, kind or character covered by any Letters Patent of the United States owned by Plaintiff Charles H. Owens, * * *" (R. p. 117). Petitioner interpreted the injunction as enjoining merely the assertion of any license rights and took no appeal.

Beginning in 1946 Heinz has installed generators of its own design at Berkeley and elsewhere in the United States. In 1949 Owens instituted contempt proceedings in the State Court on the basis that Heinz had infringed Owens' patents, in violation of the injunction. Heinz then petitioned to remove the case to the Federal Court on the basis that while the action was entitled as a citation for contempt, it was in reality an action *de novo* to restrain infringement, an issue cognizable only in the Federal Courts. The Federal Court did not accept this theory and remanded the case to the State Court (R. p. 25.). This order of course was not appealable.

Respondent then filed the instant case in the District Court (R. p. 2.) for Declaratory Judgment as to

validity and infringement of the Owens patents, and by amendment asked the District Court to restrain Owens from further contempt proceeding in the State Court. The District Judge dismissed the complaint on the ground that "the rights of the parties have been adjudicated by Courts of competent jurisdiction" (R. p. 118). Heinz appealed to the Ninth Circuit which affirmed the dismissal, although for specifically different reasons (R. p. 136).

The situation has therefore developed where Heinz, which has never had a valid license, is defending a charge of infringement of Letters Patent in a contempt action in a State Court because of its use of generators first designed and built by it after the decree in the State Court annulling the license, and where the original litigation involved the validity of a license. Heinz has never, prior to the contempt proceeding, had a trial on the issue of infringement or any trial at all as to the validity of the patents on which contempt is based.*

In dismissing the complaint for Declaratory Relief, the Court has:

(1) Denied Petitioner's right to Declaratory Judgment in a controversy involving patents between strangers under no contract relation to one another, the contract having been declared void *ab initio.*

(2) Denied Petitioner's right to the protection of the patent laws of the United States and exclusive jurisdiction of the Federal Courts.

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* Heinz in the position of a licensee, could not simultaneously have urged that the license was valid but the patent invalid, even if there had then been generators built under the license, which, of course, there had not.

(3) Petitioner has been put in jeopardy for contempt without due process of law because the original action was an action to set aside the contract, while the acts asserted to constitute contempt involve the alleged infringement of a patent, the scope and validity of which were not in issue in the action out of which the asserted contempt arises, and by a Court not acting under the patent statutes.

(4) Petitioner, although a stranger to the patent, never having had a valid license under it, has been charged with infringement, been denied the benefits of the Federal Declaratory Judgment Act (28 U.S.C.A., Sec. 2201), and the right guaranteed to it under Rule 57 of the Federal Rules of Civil Procedure.

Jurisdiction.

(1) This action arises under the Federal Declaratory Judgment Act (28 U.S.C.A., Sec. 2201); Rule 57 of the Federal Rules of Civil procedure; the Patent Laws of the United States, and particularly that statute vesting exclusive jurisdiction in patent cases in the Federal Courts, 28 U.S.C.A., Sec. 1338, and 35 U.S.C.A., Section 70, empowering Courts "vested with jurisdiction to grant injunctions".

(2) The basis upon which this Court has jurisdiction to review the final judgment of dismissal is Rule 38 of the Supreme Court Rules and the statutes therein referred to, and review on Writ of Certiorari is predicated on Paragraph 5 of Rule 38 for the reason that an important question of Federal Law is presented which has not heretofore been decided by this Court,

but which should be decided, and there is a conflict between decisions of several Circuit Courts of Appeal calling for an exercise of this Court's power of supervision.

(3) This Petition has been filed within three months after the denial of Petition for Rehearing (*Morse v. United States,* 270 U.S. 151, 153, 154; *Gypsy Oil Co. v. Leo Bennett Enscoe, et al.,* 275 U.S. 498).

Questions Raised by the Case.

(1) Can a State Court, by its decree in an action annulling a patent license *ab initio,* enjoin the evicted licensee from infringing the patent which was the subject of the void license?

(2) Does a pending contempt proceeding in a State Court, arising out of an action to set aside a patent license, bar the State Court Defendant from securing Declaratory Judgment in the Federal Court to determine both the scope and validity of the patent which it has been charged to infringe, especially in the light of Rule 57 of the Federal Rules of Civil Procedure which states "the existence of another adequate remedy does not preclude a judgment for declaratory relief in a case where it is appropriate"? In this case there is no other adequate remedy at all because the State Court has held that it is without jurisdiction to try validity.

(3) Should a Federal Court, in protection of its exclusive jurisdiction under the patent laws, not act to restrain State Court contempt proceedings for alleged violation of the State Court's injunction restraining patent infringement?

(4) Can a patentee by a State Court decree be given monopoly rights and benefits under his patent beyond those permitted by the patent laws? Or, to put the question another way, can there be a restraint of trade by decree of a State Court under a patent contrary to the public interest and unlawful absent a valid patent?

Reasons Relied Upon for Allowance of the Writ.

(1) The Circuit Court of Appeals has decided an important question of Federal Law in a manner to deprive Petitioner of the benefit of the Patent Laws (Title 28 U.S.C.A., Section 1338 and Title 35 U.S.C.A., Section 70); the Declaratory Judgment Laws (Title 28 U.S.C.A., Section 2201) and Rule 57 of the Federal Rules of Civil Procedure.

(2) There appears to be a conflict between the Courts of certain States of the United States, notably, but not exclusively, Pennsylvania and New York on the one hand, and the Courts of California and others on the other hand, as to the power of a State Court to enjoin infringement of a patent. See 167 A.L.R. 1114, "Jurisdiction of a State Court Over Actions Involving Patents", pps. 1136 and 1137 referring to the "prevailing rule" and the "New York rule". The Circuit Court of Appeals has here indicated that the State Court has jurisdiction, and its decision therefore is not in accord with the Patent Statute (28 U.S.C.A., Sec. 1338) or with the most nearly applicable decisions of this Court (*Wilson v. Sanford,* 10 How. (U.S.) 99 and *Luckett v. Delpark, Inc.,* 270 U.S. 496). This Court has not directly decided the question.

(3) There is a conflict between the decisions of the several Circuit Courts of Appeal as to the prosecution of a Declaratory Judgment action in a Federal Court while a related case is being prosecuted in a State Court. In the following cases, as in the case at bar, Declaratory Judgment proceedings were dismissed:

Maryland Casualty Co. v. Consumers Finance Service Co., (C.C.A. 3) 101 F.(2d) 514

American Automobile Ins. Co. v. Freundt, (C.C.A. 7) 103 F.(2d) 613

Maryland Casualty Co. v. Boyle Construction Co., (C.C.A. 4) 123 F.(2d) 558

In the following cases, among others, Declaratory Judgment actions were not dismissed where there was a pending State Court proceeding:

Chicago Metallic Mfg. Co. v. Edward Katzinger, (C.C.A. 7) 123 F.(2d) 518

Lionel Corp. v. DeFillipis, (D.C. E.D. N.Y.) 11 Fed. Supp. 712

Carpenter v. Edmonson, (C.C.A. 5) 92 F.(2d) 895, 897

Western Casualty & Surety Co. v. Beverforden, (C.C.A. 8) 93 F.(2d) 166

Columbian National Life Ins. Co. v. Foulke (C.C.A. 8) 89 F. (2d) 261

Guardian Life Ins. Co. v. Kortz (C.C.A. 10) 151 F. (2d) 582

In the first two cases in this second list, as in the case at bar, patent licenses were involved in the State Court proceeding, while the Declaratory Judgment suits in the Federal Courts involved the validity of the patents, and hence have a direct bearing on the question

here involved and are, we submit, in conflict with the decision of the Court of Appeals in this case.

(4) The decision of the Ninth Circuit Court of Appeals appears to be in conflict with the rule stated by the majority opinion of this Court in *Brillhart v. Excess Insurance Co. of America,* 316 U.S. 491, p. 495. The special concurring opinion of Mr. Justice Douglas and the dissenting opinion by the late Mr. Chief Justice Stone concurred in by Mr. Justice Roberts and Mr. Justice Jackson indicates need for review in the present case and clarification, especially in the light of Rule 57 as amended.

(5) In refusing to enjoin the Respondent from prosecuting the contempt action, and hence protecting the exclusive jurisdiction vested in the Federal Courts, the Ninth Circuit Court of Appeals is in conflict with its own decision in *Western Fruit Growers, Inc., et al. v. United States,* 124 F. (2d) 381. Its decision is contrary to the decisions of this Court in *Simon v. Southern Railway Co.,* 236 U.S. 115, 125 and *Bowles, Price Administrator, v. Willingham,* 321 U.S. 503.

(6) The injunction of the State Court constitutes a restraint of trade under the Owens patents. Such a restraint is illegal under the patent laws, absent a valid patent, and therefore an improper exercise of power by the State Court. *Katzinger v. Chicago Mfg. Co.,* 329 U.S. 394; *Addressograph-Multigraph Corp. v. Cooper,* 60 F. Supp. 697, (aff. C.C.A. 2 156 F. (2d) 483).

Wherefore, Petitioner prays that the Writ be granted.

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November ...., 1951.

I, William H. Parmelee, Counsel for Petitioner herein, certify that in my judgment the foregoing Petition is well founded and the same is not interposed for delay.

WILLIAM H. PARMELEE

BRIEF IN SUPPORT OF PETITION

The First Question.

The first question presented by this case is as follows:

> "Can a State Court, by its decree in an action annulling a patent license *ab initio,* enjoin the evicted licensee from infringing the patent which was the subject of the void license?"

Title 28 U.S.C.A., Section 1338 gives the District Courts of the United States:

> "Original jurisdiction of any Civil Action arising under any Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the Courts of the states in patent and copyright cases."

Title 35, Section 69 U.S.C.A. provides that:

> "In any action for infringement the Defendant may plead the general issue. * * *"

and then sets forth the defenses which may be set up.

Title 35, Section 70 U.S.C.A. provides that:

> "The several Courts *vested with jurisdiction* of cases arising under the patent laws shall have the power to grant injunctions, etc." (Italics ours).

Infringement of a patent is a tort partaking of the nature of a trespass upon the patentee's exclusive rights.

When the State Court ruled that Heinz did not have, and never did have a valid license, and declared the 1941 instrument to be void, the only relation that could ever

exist would be that of patent owner and alleged infringer.

Hence, any injunction issued by the State Court, acquiring jurisdiction under the contract, would have to be consistent with and limited to its power to enforce or set aside contractual obligations. It could not, after denying the existence of a contract, enjoin the trespass of infringement. To do so is clearly contrary to the plain language of the Statutes. There being no contract, any relief must be under the patent laws, and hence the State Court, not being one empowered with jurisdiction, could not enjoin infringement. Its decree against infringement is clearly outside its jurisdiction.

While it would seem plain that the State Court has no jurisdiction, considerable conflict nevertheless exists between the Courts of many states on this question of jurisdiction over a patent issue, not a local issue, and there is no uniformity in the law.

This question is discussed at great length in an annotation in *167 A.L.R., p. 1114,* entitled "Jurisdiction of State Courts Over Actions Involving Patents" The conflict is evident from the following quotation at pages 1136 and 1137:

> "But under the *prevailing rule* the state court may, upon concluding that the license was terminated by the forfeiture or rescission, proceed to assess damages for the subsequent infringement and award an injunction against a continuance of it. Seagren v. Smith (1944) 63 Cal. App. (2d) 733, 145 P. (2d) 682. See also Havana Press Drill Co. v. Ashurst (1893) 148 Ill. 115, 35 NE 873 (later

appeal in Rhodes v. Ashurst (1898) 176 Ill. 351, 52 N.E. 118.) * * *

"The authority of Garver v. Bement (1888) 69 Mich. 149, 37 NW 63, is doubtful, because it was decided when the Michigan Court was following the rule that no issue of validity or infringement could be tried in the state court. * * *

"Under the *New York rule* the plaintiff licensor may have the question of termination settled in an equity suit in the state court, but he cannot have an injunction against the further use of the patent * * * or an award of royalties or profits for later infringement." (Italics added)

The situation seems to have rarely arisen in the Federal Courts, but the question arose squarely in *Standard Dental Manufacturing Co. v. National Tooth Co.*, 95 F. 291, where the Circuit Court in Pennsylvania said (p. 294):

"The obvious and logical course for the complainant in this case would be either to sue for damages for the nonpayment of royalties, or, by a bill in equity, seek the rescission of the contract of license, and, that being obtained, to pursue the defendant in a federal court for an infringement; but in the case at bar the complainant seeks a rescission of the contract and a remedy for infringement in the same bill."

It is pertinent to point out that the Federal Courts have in the past recognized no right of a patent owner, even when he has been the victim of fraud in relation to his invention or his patent, to restrain the guilty party from use of the patented invention, unless the

patent is valid. He must proceed pursuant to the patent laws, by which manufacture, use or sale of a device which is the subject of a patent cannot be restrained unless that patent is valid.

In the following cases, among others, the Defendant had been found guilty of gross fraud on Plaintiff in relation to Plaintiff's invention or patent. In these cases the guilty Defendant was held liable in damages for its fraudulent conduct. But to enjoin further use of the invention of his patent, Plaintiff had to rely upon his patent and its validity pursuant to the laws. And where the patent was found invalid, Defendant could not be enjoined from further use of the invention. *Booth v. Stutz Motor Car Co.*, 56 F. (2d) 962 (C.C.A. 7); *Hoeltke v. C. M. Kemp Mfg. Co.*, (C.C.A. 4) 80 F. (2d) 912; *Schreyer v. Casco Products Corp.*, (C.C.A. 2) 90 USPQ 271.

The exact question has not been before this Court, but a related question was involved in the cases of *Wilson v. Sanford*, 10 How. (99) and *Luckett v. Delpark, Inc.*, 270 U. S. 496. In both of these cases patent owners who had granted licenses which they were seeking to set aside, and who could not get their cases into the Federal Courts on diversity of citizenship, tried to frame their actions against the licensees as patent cases, including the contract question. This Court in those cases held that the fact that infringement of a patent might subsequently be involved if the contract was set aside, did not give the Federal Courts jurisdiction under the patent laws, and that the main purpose of the action in the first instance being founded on the contract, could not be given the aspect of infringement cases. These

cases have been cited erroneously in support of the proposition that a State Court has jurisdiction to enjoin the infringement of patents and should be further clarified.

The question as to the power of State Courts to enjoin the infringement of patents is not one which has been directly decided by this Court and is one of general, not local, importance, and it is submitted that it should be reviewed by this Court.

The Second Question.

The second question raised by this case is as follows:

"Does a pending contempt proceeding in a State Court, arising out of an action to set aside a patent license, bar the State Court Defendant from securing Declaratory Judgment in the Federal Court to determine both the scope and validity of the patent which it has been charged to infringe, especially in the light of Rule 57 of the Federal Rules of Civil Procedure which states 'the existence of another adequate remedy does not preclude a judgment for declaratory relief in a case where it is appropriate' "? In this case there is no other adequate remedy at all because the State Court has held that it is without jurisdiction to try validity.

If this Court in the instant case should decide the first question according to Petitioner's contention, it would also dispose of the second question, because there could then clearly be no valid conflict in the State and Federal Courts. If, as Petitioner here contends, the State Court has no jurisdiction in an action of this kind to enjoin the infringement of Letters Patent, it follows

that the Ninth Circuit Court of Appeals was not justified in dismissing Petitioner's action for Declaratory Judgment. If the State Court has no power to enjoin the infringement of Letters Patent, there could be no valid conflict between the proceedings in the State Court and the Declaratory Judgment action. Manifestly if the State Court is acting outside its jurisdiction in attempting to punish the Petitioner for contempt of its decree enjoining infringement, then its determination of the question of infringement is not binding upon either party.

Even though it be conceded for the purpose of argument that a State Court in an action setting aside a patent license contract does have power to enjoin the former licensee from infringing the patent, Petitioner submits that the former licensee should and does have the right to maintain an action in the Federal Court for Declaratory Judgment with respect to validity and scope of the patents set forth in the license. The former licensee and also the public are entitled to an adjudication of the validity of the patent under which the former licensee is restrained.

The question of the validity or of the valid scope of the patents cannot and should not be decided in summary proceedings for contempt in the State Court. It is not within the scope of a contempt proceeding or the jurisdiction of the State Court to pass upon the validity of a patent, and the State Court in the case at bar has refused to do so. It has ruled that the question of validity is beyond its jurisdiction. Unless Petitioner can secure an adjudication of the validity of the patents in the Federal Court, it will be deprived of any trial in any Court on the issue of validity; it will be deprived of

the protection of the patent laws and the defenses therein secured to a Defendant, and its operations will be threatened by injunctions from a Court powerless to pass on validity.

There appears to be a wide divergence of opinion in the Circuit Courts as to when a Declaratory Judgment action may be pursued in a Federal Court while proceedings are already pending in a State Court.

In *Brillhart v. Excess Insurance Co. of America,* 316 U.S. 491 there was a divided opinion. The majority opinion in that case indicated that under the circumstances there involved, the District Court in the exercise of its discretion might properly have dismissed the action for Declaratory Judgment in the Federal Court. There was a special concurring opinion by Mr. Justice Douglas, while the late Chief Justice Mr. Stone and Mr. Justice Jackson and Mr. Justice Roberts dissented. The majority opinion, however, at page 495, did hold that where a Declaratory Judgment action is filed after institution of proceedings in a State Court between the same parties, the Federal Court must determine whether the claims set up by the Plaintiff have been foreclosed by local law, or can adequately be tested in the suit in the State Court. Applying this rule to the instant case, it is manifest that the validity of the Owens patents could not be foreclosed or adjudicated by the State Court, and hence dismissal of the Declaratory Judgment action by the Ninth Circuit Court of Appeals was at variance with such rule.

THE DECISIONS OF THE CIRCUIT COURTS OF APPEALS ARE IN CONFLICT AS TO THE SECOND QUESTION

In each of the cases *Chicago Metallic Mfg. Co. v. Edward Katzinger,* (C.C.A. 7) 123 F.(2d) 518 and *Lionel Corporation v. DeFillipis,* (D.C. E.D. N.Y.) 11 Fed. Supp. 712, an action was brought in a State Court under patent license agreements. The Defendants in the State Court cases each filed bills for Declaratory Judgment in their respective Federal District Courts. In each, the right to maintain the Declaratory Judgment action was sustained, although in each it might conflict in certain aspects with the State Court decisions.

Also in *Cinema Patent Co., Inc. v. Columbia Pictures Corp., et al.,* 62 F.(2d) 310, the Ninth Circuit Court of Appeals held that a Plaintiff in a State Court seeking recovery under a license agreement might simultaneously and without being barred by election of remedies, maintain an infringement action in the Federal Court.

In the case at bar, the Ninth Circuit Court of Appeals did not attempt to differentiate from the principles of these cases, but apparently disregarding them, based its opinion on *American Automobile Ins. Co. v. Freundt* (C.C.A. 7) 103 F.(2d) 613, where it was held, in an action to recover for personal injury under an insurance policy, that a Declaratory Judgment action, commenced in the Federal Court to obtain a declaration of insurer's liability after judgment in a State Court and while garnishment proceedings were pending in the State Court, was properly dismissed, observing, however, (p. 617) that:

> "The precise question here presented has not been passed upon by the Supreme Court."

In *American Automobile Ins. Co. v. Freundt* the Court cited the opinion of the Fifth Circuit Court of Appeals in *Carpenter v. Edmonson,* 92 F. (2d) 895, 897, and indicated that it could not reconcile its views with the opinion of the Fifth Circuit. It referred to the different conclusion in *Maryland Casualty Co. v. Consumers Finance Service, Inc.* (C.C.A. 3) 101 F. (2d) 514, 516, where the question was decided oppositely. See also *E. W. Bliss Co. v. Cold Metal Process Co.* (C.C.A. 6) 102 F. (2d) 105, p. 109, holding that the existence of another remedy does not preclude a Declaratory Judgment action.

There is therefore an irreconcilable conflict of opinion between Circuit Courts as to the prosecution of a Declaratory Judgment action in a Federal Court where the parties are already in litigation in the State Court involving identical or closely related subject matter, and review by this Court should be granted to the end that the existing disparity of remedy be clarified and corrected.

THE DECISION VIOLATES RULE 57 OF THE FEDERAL RULES OF CIVIL PROCEDURE

This rule, as amended, states:

"The existence of another adequate remedy does not preclude a judgment for declaratory relief in cases where it is appropriate".

A Declaratory Judgment action is most certainly "appropriate" within the meaning of Rule 57, for it invokes the only jurisdiction by which the validity, as well as the scope of a patent can be tested. Plainly the question of the application of this rule, here squarely presented, requires review by this Court.

The annotation to this rule points out that Declaratory Judgment relief is alternative or cumulative, and is appropriate where it will terminate a controversy. In the instant case, the controversy would be terminated if it were determined that either Owens' patents are invalid, or that Heinz has not built or operated generators "covered by Owens patents". In the same proceeding, Owens could, by counterclaim, obtain complete relief in the proper forum by reason of infringing acts of Petitioner, if established.

Little direct reference is made in the decisions to Rule 57, but it is noted in *E. W. Bliss Co. v Cold Metal Process Co.* (*supra*) p. 109. No decision of this Court giving effect to Rule 57 has been noted.

The Third Question.

The third question presented by this case is as follows:

> "Should a Federal Court, in protection of its exclusive jurisdiction under the patent laws, not act to restrain State Court contempt proceedings for alleged violation of the State Court's injunction restraining patent infringement?"

The decision of the Circuit Court of Appeals for the Ninth Circuit in refusing Petitioner's prayer seeking to restrain the contempt proceedings in the State Court appears to be clearly contrary to applicable decisions of this Court and to applicable decisions in the Circuit Courts, although the exact question has never been before this Court or the Circuit Courts in connection with the question arising under the patent statutes.

The State Court injunction against the infringement of United States Letters Patent is evidently based on the theory that equity having taken jurisdiction, may give any relief it desires.

This is in complete violation of the fundamental rule that no Court may act beyond its jurisdiction or power. If, as here, a State Court attempts to enforce powers exclusively delegated to the Federal Courts, the Federal Courts should act to restrain such usurpation.

That Congress has given the Federal Courts exclusive jurisdiction of cases arising under the patent laws is clear.

That when a State Court has held as void a patent license contract, it is equally clear that the State Court no longer is dealing with contractual relationship between parties.

Its decree restraining infringement of patents between parties who are not contractually obligated (and never did have a valid contract) is therefore a clear invasion of the exclusive jurisdiction of the Federal Courts.

The decision of the Ninth Circuit Court of Appeals refusing to restrain Respondent from going forward with the State Court action and to afford Petitioner its "day in Court" under the patent laws should be reviewed and set aside.

The Decision of the Ninth Circuit Court of Appeals in the instant case is in conflict with its own decision in *Western Fruit Growers, Inc., et al. v. United States* (124

F. (2d) 381, p. 387, in which it there restrained proceedings in the Superior Court for Los Angeles County for the reason that the Federal Courts had exclusive jurisdiction under the Agricultural Marketing Agreements Act.

The decision of the Ninth Circuit Court of Appeals in the instant case is also in direct conflict with the decisions of this Court in *Ex Parte Simon,* 208 U.S. 144, and *Simon v. Southern Railway Co.,* 236 U.S. 115, p. 125, in which this Court granted relief against a decision of a State Court which had acted outside its jurisdiction, this Court holding, as is contended here, that the State Court decree was a nullity. Such decision conflicts also with the decision of this Court in *Bowles, Price Administrator, v. Willingham, et al.,* 321 U.S. 503, enjoining proceedings in a State Court which involved that portion of the Federal Rent Control Act giving exclusive jurisdiction to the Federal Courts.

It also conflicts with the decisions in *Brown v. Wright,* (C.C.A. 4) 137 F. (2d) 484, 488, and *D. G. Bland Lumber Co. v. National Labor Relations Board* (C.C.A. 5, 1949) 177 F. (2d) 555.

The applicable satute is 28 U.S.C.A., Sec. 2283 (formerly U.S.C.A. 265).

The Fourth Question.

The fourth question presented by this case is as follows:

"Can a patentee by a State Court decree be given monopoly rights and benefits under his patent beyond those permitted by the patent laws? Or, to put the question another way, can there be a restraint of trade

by decree of a State Court under a patent contrary to the public interest and unlawful absent a valid patent?"

The injunction of the State Court as interpreted by that Court and enforced in the contempt proceedings, results in a restraint of trade under Owens' patents, with no opportunity to challenge the validity and scope of those patents unless that right is granted by this Declaratory Judgment action.

To permit such restraint absent a valid patent is contrary to the patent laws as enforced by this Court and other Federal Courts, and is therefore an improper exercise of power by the State Court.

The doctrine of the patent law is now well established that the public interest demands that the right to challenge validity of a patent under which the patent owner would restrict trade shall not be curtailed in any way whereby to permit restraint of trade in a device which is in the public domain. Free competition shall not be hampered by assertion of rights under an invalid patent.

To this fundamental principle of the patent law, long established principles of estoppel *res adjudicata,* consent decrees and contractual obligations, have had to give way, to the end that an invalid patent shall not restrict competition and that a device in the public domain shall be open to all.

This was the fundamental basis of the decision of this Court in *Scott Paper Co. v. Marcalus Co.,* 326 U.S. 249. In *Addressograph-Multigraph Corp. v. Cooper,* 60 F. Supp. 697 (S.D. N.Y.; aff. CA 2, 156 F (2d) 483) a

consent decree could not bar the Defendant from challenging the validity of a patent under which Plaintiff sought an injunction. The Court said (p. 700):

> "In the opinion of the court the claims are clearly invalid, and restraints on competition should not be permitted whether brought about by agreement, consent decree or estoppel."

In *Nachmann Spring Co. v. Kay Mfg. Co.*, 139 F. (2d) 71 (CA 2), an agreement not to manufacture devices which infringe a certain patent was considered unenforceable as an agreement in restraint of trade, absent a valid patent.

See also *Boromin v. National Aluminate Corp.*, 70 F. Supp. 214, (D. Del.).

A vigorous statement of the doctrine is that of this Court in *Katzinger v. Chicago Mfg. Co.*, 329 U.S. 394. In this case the Court held that a specific contract not to challenge validity could not override the public interest in free competition, unhampered by an invalid patent. The Court said that "solicitude for the interest of the public fostered by freedom from invalid patents and from restraints of trade" require that there should be no departure from the fundamental principle we have stated. The Court further said:

> "In thus emphasizing the necessity of protecting our competitive economy by keeping open the way for interested persons to challenge the validity of patents which might be shown to be invalid, the Court was but stating an often expressed policy that 'It is the public interest which is dominant in the patent system,' *Mercoid Corp. v. Mid-Continent Investment Co.*, 32 U.S. 661, 665, and that the right

to challenge 'is not only a private right to the individual, but it is founded on public policy which is promoted by his making the defense, and contravened by his refusal to market it.' *Pope Mfg. Co. v. Gormully,* 144 U.S. 224, 235."

Conclusion.

It is respectfully submitted that while the allowance of Declaratory Judgment relief is discretionary, as the Ninth Circuit Court of Appeals has shown, that discretion must be a judicial discretion, and that the spirit and intent of Rule 57 is to encourage Declaratory Judgment where it will terminate controversy.

In the instant case, if Respondent's patents are declared once and for all to be invalid, (and the Defendant and the public are entitled to have this question determined), or of such restricted scope that Heinz generators are not comprehended by them, Heinz will not act under peril of contempt proceedings every time it designs or installs a new generator, and it is no hardship for Owens to assert his patents as provided in the Patent Laws.

Owens should not be in a position to levy tribute against Heinz and indirectly against the thousands of people who use its products, and Heinz should not be jeopardized without its "day in Court" under the patent laws. This Court has repeatedly held that the public interest in the enforcement of patents is of great importance, but under the proceedings to date, no avenue is presented to litigate the Owens patents.

Not only is the matter of interest to the litigants here but to the public, for the questions raised are of general importance.

It is submitted that any procedure which denies the protection of the defenses guaranteed by the patent laws to one charged with infringement, and which gives power to State Courts to enjoin infringement with no opportunity to contest validity is repugnant to the guarantee of the Constitution and public policy, and that a review should be granted.

Respectfully submitted,

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Office - Supreme Court, U.
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CHARLES ELMORE CROPL
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1951

NO. 420

H. J. HEINZ COMPANY, a Corporation, Petitioner,

v.

CHARLES H. OWENS, Respondent.

PETITION UNDER RULE 33 (2) FOR REHEARING BY H. J. HEINZ COMPANY OF ORDER DENYING ITS PETITION FOR CERTIORARI.

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PETITION UNDER RULE 33 (2) FOR REHEARING BY H. J. HEINZ COMPANY OF ORDER DENYING ITS PETITION FOR CERTIORARI.

To The Honorable Chief Justice And Associate Justices Of The Supreme Court Of The United States:

Petitioner respectfully asks the Court for a rehearing of the Petition for Certiorari in this case, and in so doing, counsel fear that they have not adequately brought to the attention of this Court the extraordinary situation which arises from the fact that a State Court is now purporting to try a patent infringement suit under the guise of a citation for contempt of an injunction and decree holding invalid a license agreement under which the parties had theretofore never operated. The injunction against infringement is at most a general directive to Heinz Company not to infringe a patent which it had not used, and before it had built any generator whatever, and it therefore forbids only what the patent laws themselves forbid, and was not an injunction against the continuance of an act in which Heinz

was then engaged. The generator now held to be an infringement was not even designed when the injunction issued, and this is not a case of enjoining the use of something which had been commenced under an invalid license—it comenced only after judicial cancellation of the license declared the parties to be strangers and not licensor and licensee.

In support of this Petition, your Petitioner cites the following circumstances and facts not previously relied upon:

(1) Appended hereto is an affidavit of counsel as to proceedings which have transpired since the decision of the Ninth Circuit Court of appeals, and which proceedings point to the dilemma which will result from the dismissal of Petitioner's action for declaratory judgment.

(2) From such additional facts it appears that since the decision in the Ninth Circuit Court of Appeals the State Court has held that Petitioner is in contempt for having infringed Owens' patent and has subjected Petitioner to extensive accounting proceedings and proposes now to issue judgment for money damages or profits.

(3) Petitioner is therefore now subject to a judgment in a State Court for money damages for infringement of a patent under which Petitioner does not have and never has had a valid license (the license having been declared void *ab initio* in the original State Court action.) The validity of the patent has not been adjudicated at any time; the State Court has held that it

cannot pass on the validity of the patent*; and the dismissal of Petitioner's declaratory judgment action now subjects Petitioner to immediate judgment of money damages and such other punishment and injunctive action as the State Court may impose, with the validity of the patent still undecided, and with Petitioner being confronted with the expense of extensive State Court appellate proceedings. Petitioner has at all times proceeded on the basis that it had the same protection of the patent laws as any other stranger to the patent, but denial of declaratory judgment denies such protection.

(4) If Petitioner is subsequently successful in an appeal to the California Supreme Court and the contempt action is dismissed, Petitioner will still be subject to an action for patent infringement. Declaratory judgment, if granted, would promptly and expeditiously dispose of that situation now.

(5) The State Court in California in awarding judgment for patent infringement between parties who are strangers, not contractually bound, must invoke a

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(*) Judge Woolsey's ruling on the motion to strike the defense of invalidity was as follows (page 97 of of State Court Transcript):

> "Well the Court has considered the arguments of the respective counsel and has examined the cases that were submitted; the Court is of the opinion that it was without power or jurisdiction to determine the validity of the patents in question."

In its later interlocutory findings the State Judge held that the issue of validity should have been raised in the original action to set aside the license—an issue not possibly relevant at that time and that the Heinz Company is now estopped to question validity.

substantial Federal question* because where there never was and is now no valid contract the only possible relationship between the parties can be that of patent owner and asserted infringer — a relationship over which the patent statutes apply exclusively. Hence if Petitioner is not successful in an appeal to the Supreme Court of California in securing dismisal of the judgment, this Court should then take jurisdiction.

(6) Therefore either reversal or affirmance of the judgment of the Court for Alameda County would result ultimately in proceedings in this or the District Court for the disposition of this controversy. Declaratory judgment as prayed for by Petitioner would dispose of all issues between the parties and foreclose unnecessary appeals or other proceedings, and avoid the obvious dilemma which is facing the parties.

(7) This is not a case of two suits pending in Courts of co-ordinate jurisdiction,** because the State Court, as between strangers to a patent, cannot enforce the Federal Patent Statutes.

(8) Dismissal of the declaratory judgment action should not have been granted where the issue of the validity of the patent cannot be disposed of except in an action in the Federal Court; at most a *stay* of the declaratory judgment suit, pending disposition of the contempt proceeding, should have been directed if it

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(*) See opinion of Ninth Circuit Court of Appeals (R. p. 144):

> "But if it [State Court] should err and a substantial question should be involved, there is open a course of review even to our highest Court."

(**) See decision of this Court in *Kerotest Mfg. Co. v. C-O-Two Fire Equipment Co.*, decided January 2, 1952, the same day on which Certiorari was here denied. 92 U.S.P.Q. 1, p. 2.

appeared that there is an unseemly conflict at this time,* although even a stay violates Rule 57 F.R.C.P., which provides for declaratory relief where, as here, it will "terminate the controversy".

The original Petition for Certiorari has not pointed out the dilemma which confronts the parties if declaratory relief is denied, and for this reason, as well as others herein set forth, rehearing of the Petition is earnestly urged.

Respectfully submitted,

WILLIAM H. PARMELEE,
Counsel for Petitioner.

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(*) See opinion Ninth Circuit Court of Appeals (R.p. 144):

"We find no justification for pre-judging the question * * *."

Actually declaratory judgment in a Federal Court seems to be inevitable if the parties are to be given the full right and protection of the patent laws and trial of the declaratory judgment suit would accelerate this position rather than create a conflict.

CERTIFICATE OF COUNSEL.

I, William H. Parmelee, being of counsel in the above-entitled cause, certify that the foregoing Petition for Rehearing is not made for purposes of embarrassment and delay, and that it otherwise complies with the requirements of Rule 33, paragraph 2, in that it sets forth matters and grounds not previously included in the Petition, and invokes the corollary to the case of *Kerotest v. C-O-Two* decided by this Court on January 2, 1952 which is relevant because there is here a situation not involving Courts of coordinate jurisdiction.

WILLIAM H. PARMELEE

IN THE
SUPREME COURT OF THE UNITED STATES

October Term, 1951

H. J. HEINZ COMPANY, a Corporation,
Petitioner,
v.
CHARLES H. OWENS, Respondent.
No. 420

State of Pennsylvania
County of Allegheny } ss.:

AFFIDAVIT OF WILLIAM H. PARMELEE AS TO ADDITIONAL MATTERS NOT APPEARING IN ORIGINAL PETITION FOR CERTIORARI, AND WHICH TRANSPIRED SINCE THE DECISION OF THE NINTH CIRCUIT COURT OF APPEALS.

I, William H. Parmelee, being duly sworn, depose and say that I am a citizen of the United States engaged in the practice of law at Pittsburgh, Pennsylvania, and I am a member of the Bar of this Court. I am of counsel in the cause herein, and I am also of counsel in the contempt proceedings now pending before the Superior Court of the State of California in and for the County of Alameda, entitled "Charles H. Owens and Owens Generator Company, Inc., a corporation, v. H. J. Heinz Company, a corporation, and Glen F. Mason, No. 175,935" heretofore referred to in these proceedings.

I further depose and say that since the decision of the Ninth Circuit Court of Appeals in the instant case was made, there have been the following developments in the State Court, not appearing in the Petition for Certiorari, and which in my opinion afford cogent reasons for the granting of Petitioners' application for Certiorari.

(1) On July 9, 1951 Judge Woolsey of the Superior Court of California in and for Alameda County, issued a memorandum of decision against your Petitioner, the H. J. Heinz Company.

(2) On July 12, 1951, pursuant to such memorandum of decision, Judge Woolsey entered interlocutory findings, including the following:

> "The Defendant H. J. Heinz Company, in violation of the decree and injunction of this Court made and rendered on December 21, 1944, and in infringement of Plaintiff Charles H. Owens' first patent, has built and erected and maintained and operated, and is now maintaining and operating at least ten generators in the United States and at least one generator in Canada of the type, kind and character covered by claim No. 1 of the letters patent of the United States No. 2,089,412 granted August 10, 1937 and owned by Plaintiff, Charles H. Owens."

(3) Thereupon said Court ordered the Heinz Company to produce all of its pertinent books and records to the end that a determination of profits and damages could be made, and overruled a motion of your Petitioner to quash the same.

(4) There has recently been concluded nearly three weeks of trial before Judge Woolsey on the subject of

damages and profits, as a result of which the Court will determine an amount of money to be paid to Owens as civil indemnity for such infringement. The said Court has not indicated what further punishment for contempt over and above civil indemnity will be imposed.

(5) The aforesaid State Court is now proceeding to final judgment of an offense of infringement cognizable by the language of the Statute (Title 28 U.S.C.A., Section 1338) exclusively in the Courts of the United States and in the absence of any determination of the valid scope of the patent.

WILLIAM H. PARMELEE
William H. Parmelee

Sworn to and subscribed before me this 14th day of January, 1952.

PERCY A. ENGLISH,
[SEAL] Notary Public.

My commission expires March 6, 1955.